

6-5-03

BRAO & RICHARDS,

THIS IS A LETTER I RECEIVED FROM MIKE
AS A FOLLOW-UP TO OUR MEETING. THIS
MAY CONTAIN SOME ISSUES YOU WANT TO SHARE
WITH YOUR COMMITTEE. THANKS AGAIN FOR
MEETING WITH US.

Tonn

Tonn Ostergard, President
Crete Carrier Corporation
PO Box 81228
Lincoln, Nebraska 68501

Dear Tonn:

Thank you again for the invitation to meet with members of the Mayor's Infrastructure Finance Committee regarding their recommendation that Lincoln extend the occupation tax to the retail sale of motor fuel within city limits.

Like many others I have reservations and concern regarding this proposal. I agree with the concerns that are being expressed by local Lincoln businesses, but I am also concerned with what I fear will be the possible implications of this proposal on the statewide mechanism for financing state and local road maintenance and construction.

The basic mechanism to finance both state and local roads in Nebraska has existed largely unchanged for 25 years. It has existed like this for one basic reason. It works. I believe the Nebraska system for financing roadwork is one that is a model most other states wish they could duplicate. Under our system the three main financial elements- the state motor fuels tax, motor vehicle registration fees, and 5% of the state sales tax receipts of motor vehicle sales are deposited to the Highway Trust Fund. The Highway Trust Fund is allocated 53 1/3 % to the state, and 23 1/3 % respectfully to the cities and counties. Additionally the state utilizes the proceeds of the variable fuel tax and cities and counties share equally the proceeds of 2 cents of the fixed state motor fuels tax. While the proposal to utilize occupation tax authority is indeed creative, I do not believe it to be good policy.

If adopted my fear is that we place one more point of pressure on the Highway Trust Fund and make the task of defending the trust from further diversions all the more difficult. If municipalities were to elect to use this source of revenue we may see legislators from urban areas less willing to prevent diversion of the trust because they know that their local city government can generate substantial revenue from their occupation tax authority. We may see legislators who view this use of the occupation tax as improper and move to limit occupation taxes generally or reduce the cities allocation



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from the highway trust in an amount equal what they generate from the tax. A worse case scenario would be that not wanting to share motor fuels as an independent local tax base the Legislature acts to prevent local government from collecting their occupation tax and instead imposes the sales tax on motor fuels. I fully understand the pressures local governments face as they look at financing infrastructure needs and the Mayor's Committee needs to be commended for the hard work they have put into this effort, however I strongly believe that the statewide system we have adopted is weakened when one of the partners in that system elects to go it on their own to meet the needs they face.

I remain concerned that the occupation tax is a general fund revenue source. I understand the Infrastructure Finance Committee strongly believes that it should be utilized for street purposes. Hopefully, should it to be enacted the city council would believe likewise, as would future councils. There is no guarantee that I am aware of either in state law, city ordinance or charter that requires any proceeds to be dedicated to that purpose. Just as we advocate strongly against the diversion of roads funding at the state level, so to should we advocate that protections be established if this revenue option is opened.

Thank you again for the invitation to join you. As this issue further develops please feel free to contact me should there be anyway you feel I can be of assistance.

Sincerely,



Mike Hybl
President
Nebraska Trucking Association